

AR22

**1966**



**annual  
report**



**BRITISH COLUMBIA TELEPHONE COMPANY**





## OUR COVER

The first concrete constructed microwave tower in our system was photographed at night for our cover. The 75-foot tower atop our Hemlock central office building in southeast Vancouver was built in 1966. It forms part of a new radio transmission system linking

Vancouver with Vancouver Island and the United States via Saltspring Island. Equipment in the radio room at the tower base presents the intriguing color pattern above in a photo taken with a 360-degree "fish-eye" lens.



# B.C. TEL

BRITISH COLUMBIA TELEPHONE COMPANY

75th ANNUAL REPORT

*Incorporated by Special Act of the  
Parliament of Canada, April 12, 1916*

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## TRANSFER AGENT AND REGISTRAR

MONTREAL TRUST COMPANY

## HEAD OFFICE

768 Seymour Street, Vancouver 2,  
British Columbia, Canada

*If you own more than one type of British Columbia Telephone Company capital stock, you may receive more than one copy of this Report. This is because it is more economical to mail a few duplicates than to maintain an elaborate cross-reference checking system.*



Sunshine pinpoints telephone man in action  
at Hudson's Hope.



## Message from the President

The pulsating beat of our expansion pace quickened once again during 1966. It was a year which reflected in tangible ways the results of devoted efforts by our people both during the year itself and in the years of thoughtful planning and hard work that went before it.

In terms of dollars and cents, we established all-time highs in revenues, earnings and capital expenditures.

In terms of service, we had a record number of telephones in our system, record toll facility capacity and record traffic volumes. We employed the largest number of men and women in our history to maintain, operate, expand and improve our system.

During the year, I was able to visit many areas in each of the Company's operating divisions, meeting on the job hundreds of the men and women on our growing staff. Their devotion to their tasks is reassuring for our future.

The year was filled with significant happenings for our Company, not all welcome but none seriously hampering our progress.

Market conditions necessitated the highest interest ever on first mortgage bonds offered by the Company.

The Board of Transport Commissioners, in a decision following its 1965 examination of the Company, adopted our proposal that the permissive level of earnings be expressed in terms of percentage of invested capital. This is an earnings guideline more easily understood by everyone. The upper limit of the permissive earnings level established at 6.6% by the Board's judgment was lower than we had sought, but it has proven adequate for 1966. The Commissioners have spelled out their recognition that this limit is not inflexible for the future.



**Presidential visit on the job, Kamloops.**

A new contract negotiated and signed with the Federation of Telephone Workers of British Columbia became effective April 1, 1966 and runs through December 31, 1968. It provides a sound basis for continued harmonious relations with our employees.

During the year, our Company acquired controlling interest in the Okanagan Telephone Company, an acquisition which will enable economies for both companies through close integration of operations in the years ahead.

As we enter 1967, we can look back on 1966 not only as a record-breaking year, but as one in which the foundations for future success again were strengthened. With continued vigilance in our planning, our operations and our expansion, we can look forward to additional progress in the year ahead.

*H. R. Hudson*

Vancouver, B.C.,  
February 15, 1967.



# THE REPORT AT A GLANCE

| FINANCIAL                                | 1966          | 1965          |
|--|---------------|---------------|
| Revenues                                 | \$112,526,763 | \$ 99,700,513 |
| Expenses                                 | \$ 88,800,451 | \$ 77,669,697 |
| Income available for fixed charges       | \$ 24,185,026 | \$ 22,135,487 |
| Average invested capital                 | \$365,827,360 | \$333,938,536 |
| Return on average invested capital       | 6.61%         | 6.63%         |
| Net income available for ordinary shares | \$ 11,144,318 | \$ 9,880,115  |
| Earnings per average ordinary share      | \$ 4.30       | \$ 4.16       |

## OTHER

|                                     |               |               |
|-------------------------------------|---------------|---------------|
| Telephones in service               | 761,129       | 709,564       |
| Gross plant additions               | \$ 60,681,708 | \$ 47,983,765 |
| Average ordinary shares outstanding | 2,589,300     | 2,373,525     |

*On December 15, 1966, the Company acquired a substantial share holding in the Okanagan Telephone Company and following preferred accounting presentation has incorporated the assets and liabilities of this subsidiary in the Consolidated Balance Sheet. The above financial and other statistics, together with the narrative parts of this Report and the Ten-year Record of Progress, relate only to British Columbia Telephone Company.*



# REPORT OF DIRECTORS



High above the city, lineman fastens new microwave antenna to main Vancouver tower.

## OUR EXPANSION STORY

More than ever before, our Company was in the forefront of development in British Columbia during 1966. From populous Vancouver to sparsely-settled valleys of the Nass River in the far northwest, our people were in action in increasing numbers, building more and better communications facilities to serve British Columbians.

Our investment in the province's growth and future grew by more than \$1 million a week throughout the year, a record-shattering pace.

Demands for service increased rapidly everywhere. The number of telephones climbed to 761,129, reflecting a record increase for the year of 51,565. Daily local calls averaged 4,894,027, up 9% over 1965, and long distance

volume jumped by 12%, to a daily average of 97,599 calls.

Keeping pace meant increasing our capital expenditures to a record \$60,681,708, up \$12,697,943 from 1965. Part of the increase resulted from rising labor, equipment and material costs, but the bulk of it was undertaken to meet service requirements created by customer demands.

During the year, nine new automatic dial telephone offices were completed and placed in service, together with the related outside plant necessary to connect our customers.

Forty-five percent of our capital budget, or \$27,192,441, was spent on additions and improvements to local telephone service facilities.



Eight new major radio transmission systems for long distance traffic were completed and substantial additions were made to switchboard capacities in most of our 15 major toll centers to handle increasing volumes of traffic. Twelve new public service radio terminals were installed to serve our growing number of mobile and fixed-location radiotelephone customers.

Twenty-two percent of the total capital budget, or \$13,362,641, was spent on additions and improvements to our toll system, with most of this going into new microwave radio facilities. By year end, our radio network extended more than 5,000 route miles.

Purchase and installation of customer equipment accounted for \$17,846,021, and the balance of the capital outlay, a total of \$2,280,605, was spent for vehicles and other work equipment.

The entire Province of British Columbia continued to expand, with the relative pace of growth greater in the central and northern areas than elsewhere. This pattern of growth is reflected in the following table showing station gain and capital expenditures by operating divisions:

|                 | Telephones in Service |               |            | Capital Expenditures 1966<br>(000's) |
|-----------------|-----------------------|---------------|------------|--------------------------------------|
|                 | December 31, 1966     | Increase 1966 | %          |                                      |
| <b>Coastal</b>  | 489,331               | 30,449        | 6.6        | \$27,503                             |
| <b>Island</b>   | 151,872               | 9,151         | 6.4        | 11,606                               |
| <b>Interior</b> | 71,126                | 5,348         | 8.1        | 8,723                                |
| <b>Northern</b> | 48,800                | 6,617         | 15.7       | 12,850                               |
|                 | <u>761,129</u>        | <u>51,565</u> | <u>7.3</u> | <u>\$60,682</u>                      |

## COASTAL DIVISION

Among the service highlights of the year in the Coastal Division was the introduction in October of cross-core calling in the Greater Vancouver area, eliminating toll charges on calls between exchanges situated on opposite sides of the Vancouver-Burnaby core. This expansion of flat-rate calling required the installation of \$3 million in new facilities and brought substantial benefit to our customers served by offices in New Westminster, Port Moody, Richmond, and North and West Vancouver.

Much of the effort of our telephone people in this Division was devoted to expansion of local central office and outside plant distribution facilities. The outside plant construction included 18 route miles of underground plant. Central office equipment additions totalling 35,000 lines were made in exchanges throughout the Division.

Other noteworthy 1966 projects were:

- A new 4,000-line central office at White Rock.
- Installation of 24 long distance operator positions and four new radiotelephone operator positions in Vancouver.
- Construction of a new reinforced concrete microwave radio tower (see front cover) atop our Hemlock office in southeast Vancouver to provide for expansion and diversification of toll routing to Victoria and Seattle.



Conquering the communications challenge in British Columbia requires aid of many machines. The Telsta cable truck and the helicopter above are just two of them.





Submarine telephone cable, ready to go to sea, was placed to link Powell River with Vananda on Texada Island. Cable measures 19,000 feet.

In Prince George, this brand new Northern Division administrative headquarters was opened officially November 17, 1966.



New cable link between New Westminster and Surrey was strapped to Pattullo Bridge, high above Fraser River.



## ISLAND DIVISION

Our Island Division people put into service an entirely new local dial system—with all distribution facilities underground—in Gold River, a brand new town carved from the wilderness of the west coast of Vancouver Island in conjunction with construction of a \$60-million pulp mill. A new radio link connects this system via Woss Mountain and Newcastle Ridge to the Campbell River central office.

Expansion of flat-rate calling areas was undertaken at four locations in this Division during the year. Major submarine cable installations were required to facilitate two of these extensions involving islands in the Gulf of Georgia. A 20,000-foot submarine cable was placed between Thetis Island and Chemainus on Vancouver Island and a 19,000-foot submarine cable went in between Vananda on Texada Island and Powell River on the mainland coast.

Island Division crews buried 120 miles of cable during the year, including three miles through heavy timber in Cathedral Grove, where winds and winter snows previously have caused difficulty with the pole line link between Nanaimo and the Albernis. They also increased local service office capacities by 10,500 lines.

## INTERIOR DIVISION

Five new dial offices were completed and another was being installed by our people in the Interior Division during 1966.

The installation of portable exchanges at the communities of Boswell and Yahk and completion of a new \$405,000 permanent dial office in Fernie gave our East Kootenay District 100% local dial service.

Completion of the dial offices at Dallas and Aspen Park brought to four the number of central offices within the Kamloops exchange. Major installations were under way at year end to provide this exchange with Direct Distance Dialing service in 1967.

Growth in long distance traffic necessitated increased toll switchboard capacities in Kamloops, Trail, Nelson and Cranbrook, and required installation of a new medium-route microwave radio system between Cranbrook

and Salmo which will be placed in service early in 1967.

Local service office capacity throughout the Division was increased by 8,500 lines.

## NORTHERN DIVISION

Emphasis was on expansion of radio transmission facilities in the vast Northern Division, where our people completed four major toll systems during 1966, prepared a fifth for operation early in 1967 and added four new terminals for public radiotelephone service.

Microwave radio systems put into operation near the year end provide new toll links from Prince Rupert to Terrace and Kitimat, and from Prince George southeast to McBride and Valemount and northeast to the Peace River country. A new High Frequency radio system links Terrace with Stewart and the Nass River valley.

Construction was completed on the heavy-route microwave radio system from Terrace to Houston, leaving only minor installation work to bring it into service in 1967. Closing of this 80-mile gap in the Prince George-Prince Rupert network will complete a 1,500-mile multi-channel radio highway boxing the province and linking every main center.

Toll switchboard facilities were expanded in Prince George with the number of operator positions in the booming city being increased by two-thirds.

Local service expansion saw an aggregate 8,500-line addition to central offices throughout the Division, installation of new portable exchanges at Pouce Coupe, Giscome, Fraser Lake, Houston and Valemount, burying of nearly 40 miles of cable to extend dial service to rural areas surrounding Dawson Creek, and starts made on the construction of two new major central offices.

During the fall, the Division's administration staff moved into its new \$750,000 headquarters building in Prince George, celebrating the occasion with an official opening in mid-November. Your Board of Directors chose the occasion for a regular meeting in the headquarters building, their first—but not their last—regular meeting in a B.C. city outside Vancouver.





Enterphone, new system which combines apartment door-answering with regular telephone service, was developed by our people.

Selling is part of the job for telephone installers, who meet our customers—and their families—where they live.

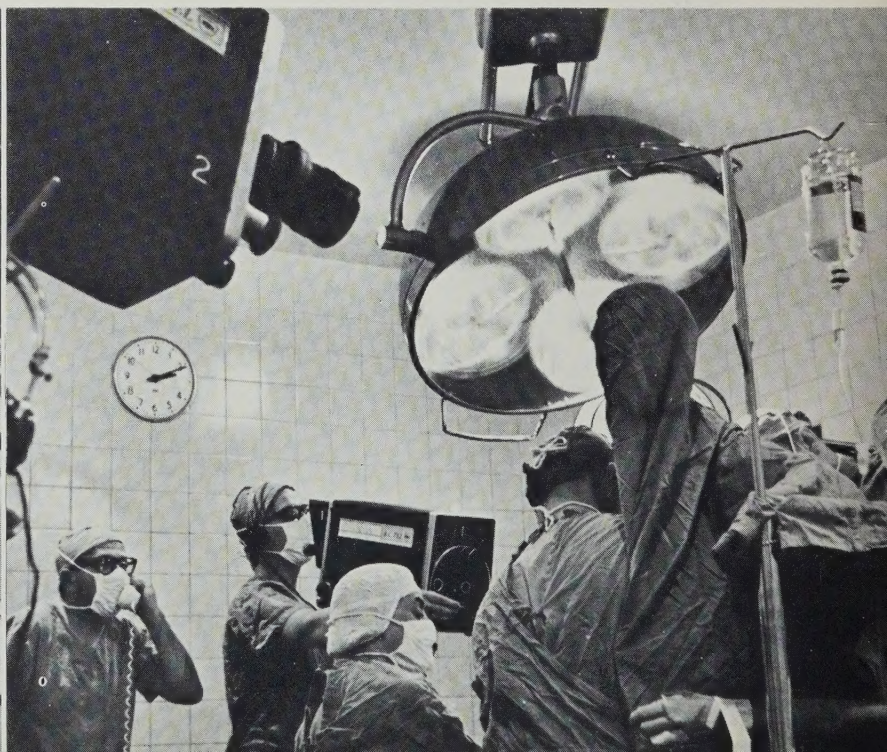


## OUR MARKET PLACE

Our people continued throughout the year to encourage the use of discretionary telephone services and to promote the sale of facilities for total communication, some of which are seen on these pages.

Substantial growth in such service areas as extension telephones, closed-circuit television systems, data transmission systems and mobile radiotelephones gives evidence of the success of the efforts of our commercial, installation and marketing people.

Closed-circuit television and videotaping equipment, here in surgery at The Vancouver General Hospital, were tested as medical education tool.







**Peace River power project builders use radiotelephone hand sets for on-the-job communication.**

**Use of long distance services was promoted with displays like this one.**



**BELOW: Panel telephone for home and business installation was introduced to customers in 1966.**

**BOTTOM RIGHT: New coin telephone booth designs include this style, seen here in flower shop setting.**







Videotel, now used to display telephone service of the future, will be in general use when this young man grows up.

## OUR FUTURE

Anti-inflation measures and the conditions of the financial market were felt by the British Columbia economy during the latter half of 1966, but the expansion pace remained vigorous. This fact is reflected in the growth of our own industry, which, like many others, is committed by its very nature to substantial growth in the future.

Great projects like the Peace and Columbia River power developments and like the multi-million-dollar pulp mills under construction in several areas of the province must proceed. These and related industrial growth, together with essential government and institutional

projects and increased product and service development to meet consumer demands which remain high, will help to keep British Columbia's economy moving ahead steadily through 1967.

We will continue to play our full and active role, as a responsible investor-owned utility, in furthering the development and growth of British Columbia with a 1967 expansion program involving capital expenditures of \$65 million. Of this total \$50 million will go into facilities for growth. This reflects not only anticipated vigorous demands for telephone service in 1967 but also efforts to reinforce for the years ahead the capacity of facilities which have been heavily taxed by the unprecedented growth of recent years.





**Cable plow improves efficiency as we bury more and more telephone cable.**



**Nelson vocational school provides backdrop for telephone craftsman at work.**

**Northern transmission hub is Tabor Mountain tower outside Prince George, where telephone engineer plans radio shots for future.**







Telephone service expansion at Portage Mountain takes place as Peace River power project progresses in Northern Division area.

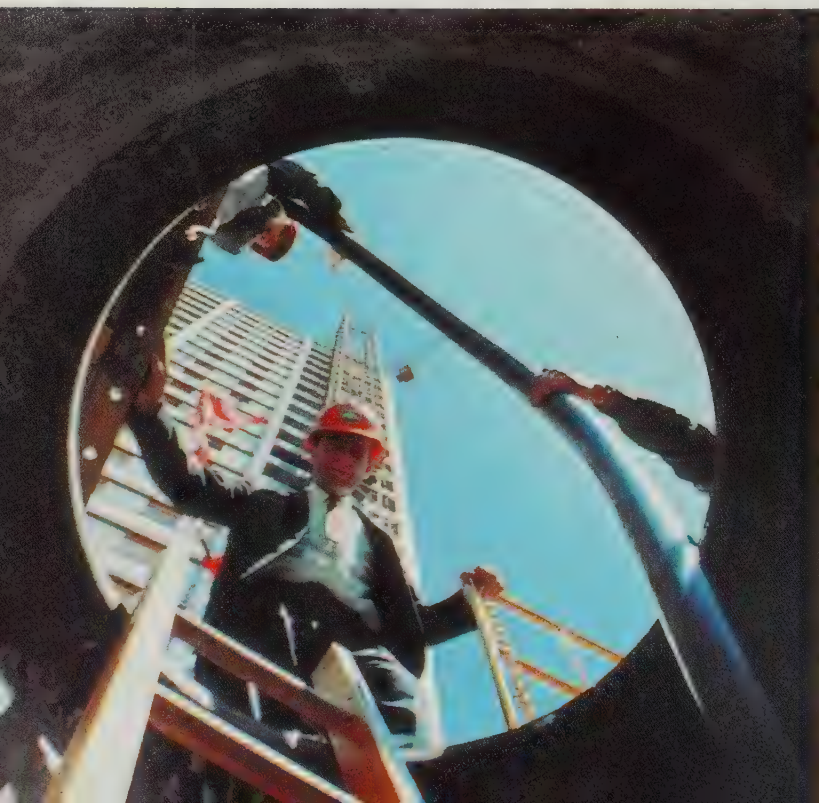


Interior Division completed new radio installation atop Vernon Hill in the Okanagan region.

## GROWING WITH BRITISH COLUMBIA

A \$60 Million Job in 1966

Coastal Division's underground cable installations included this link in Vancouver's growing West End.



Buried cable program in Island Division included plowing through heavy forest land of a provincial park.





# OUR FINANCIAL RECORD

The results of our 1966 expansion and service efforts are evident in our financial record.

Total operating revenues reached \$112,526,-763, up 13% from 1965, with the portion from toll services up by 16% and that from local services up by 10%. Total operating expenses increased by 15% to \$88,800,451, including taxes of \$17,295,826, leaving earnings of \$24,185,026 available for interest and other charges.

These earnings, up \$2,049,539 from 1965 in terms of actual dollars, represented a return of 6.61% on average invested capital, slightly lower than the 6.63% of 1965.

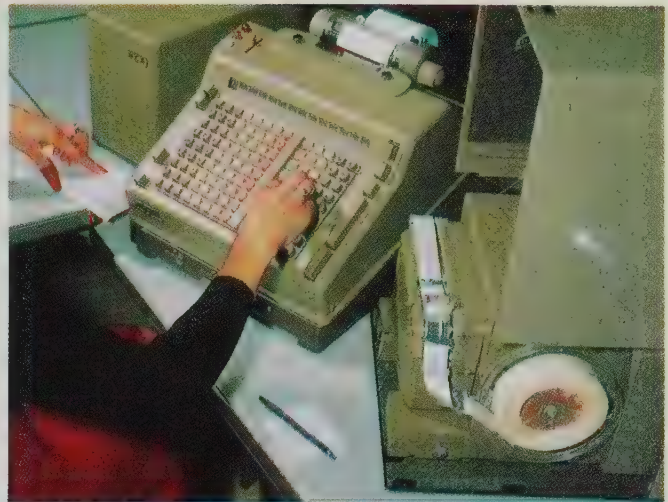
Interest and amortization provisions required \$9,349,708 and dividends on preference and preferred shares totalled \$3,691,000. This left \$11,144,318, or \$4.30 per average ordinary share outstanding, against \$9,880,115, or \$4.16 per share, in 1965.

Dividends on ordinary shares continued at the rate of \$2.40 per share for a total of \$6,214,320. The remaining \$4,929,998 was retained in the business for corporate growth and development.

Depreciation continued to be the largest single item of operating expense, totalling \$22,944,866, up 7% from 1965. The increase in this important element of expense, which is under constant review and the subject of continuous detailed engineering studies, reflects primarily the growth in the Company's investment in total plant, which had risen to \$480,762,018 at year end.

The increased size of our operations and the effects of higher wages resulting from our new agreement with employees, effective from April 1, were reflected in the 20% increase in maintenance, traffic, commercial, and general and administrative expenses. Income and other taxes rose 10%.

Demand loans incurred for capital expenditures during the early part of the year were repaid from the proceeds of the sale in September of an issue of \$30,000,000 6¾% First Mortgage Bonds maturing October 15, 1989. This issue, the largest ever made by the Company, was successful in a very difficult market that imposed the highest interest rate ever paid by the Company.



Cash reports flow daily to Company computers through machines like this one, installed to increase efficiency.

On October 15, 1966, our Company offered to purchase for \$27.30 a share all of the outstanding common shares of the Okanagan Telephone Company, and by year end had acquired, with permission of provincial and federal regulatory agencies, 97.6% of the common shares outstanding.

The Okanagan Telephone Company operates 21 dial exchanges serving 39,259 telephones, with principal exchanges at Penticton, Kelowna, Vernon, Salmon Arm and Revelstoke.

Plans call for merging of the two companies eventually, but present intentions are to operate the Okanagan Company as a subsidiary.

It is with deep regret that we report the death on December 25, 1966 of Wilmar D. Stevens, our Comptroller since October 1958. Mr. Stevens had been a valued employee of the Company since 1935 and his loss will be keenly felt.

The continued loyalty and high standard of performance of all employees and the continued support and confidence shown by investors in the securities of our Company made possible the success we experienced during 1966. This is appreciated by your Directors, who look forward to another year of growth in 1967.

For the Board of Directors

President

February 15, 1967



# CONSOLIDATED BALANCE SHEET

As at December 31, 1966

## ASSETS

TELEPHONE PLANT, at cost.....  
*Less* — Accumulated depreciation.....

| 1966          | 1965          |
|---------------|---------------|
| \$506,804,746 | \$429,966,904 |
| 102,214,508   | 83,072,085    |
| \$404,590,238 | \$346,894,819 |
| \$ 1,232,075  | \$ —          |
| 287,276       | 582,062       |
| \$ 1,519,351  | \$ 582,062    |
| \$ 1,587,025  | \$ 770,814    |
| 230,000       | 2,000,000     |
| 14,884,001    | 11,998,186    |
| 7,283,375     | 5,157,389     |
| 1,114,818     | 907,151       |
| \$ 25,099,219 | \$ 20,833,540 |
| \$ 4,549,277  | \$ 3,458,633  |
| 5,112,476     | 2,820,983     |
| \$ 9,661,753  | \$ 6,279,616  |
| \$440,870,561 | \$374,590,037 |



# BRITISH COLUMBIA TELEPHONE COMPANY

## LIABILITIES

### SHAREHOLDERS' EQUITY

Authorized share capital \$250,000,000

Ordinary shares of par value \$25 each

(2,589,300 shares outstanding at December 31, 1966)----

Premium on ordinary shares.....

Earnings retained for use in the business.....

Preference and preferred shares (Note 2).....

Total Shareholders' Equity.....

### MINORITY INTEREST

Preferred shares (\$450,000) and other interest  
in subsidiary .....

LONG TERM DEBT (Note 4).....

### CURRENT LIABILITIES

Bank demand notes payable.....

Accounts payable .....

Income taxes payable.....

Bond and note interest accrued.....

Dividends payable .....

Other accrued liabilities.....

Unearned rentals and prepayments for service.....

Instalments on subsidiary's long term debt due  
within one year.....

INCOME TAXES DEFERRED (Note 3).....

| 1966          | 1965          |
|---------------|---------------|
|               |               |
| \$ 64,732,500 | \$ 64,732,500 |
| 32,471,640    | 32,471,640    |
| 22,464,962    | 17,535,614    |
| \$119,669,102 | \$114,739,754 |
| 73,500,000    | 73,500,000    |
| \$193,169,102 | \$188,239,754 |
|               |               |
| \$ 591,600    | \$ —          |
| \$195,678,500 | \$157,500,000 |
|               |               |
| \$ 18,300,000 | \$ —          |
| 8,943,035     | 6,919,194     |
| 5,630,298     | 5,512,499     |
| 3,051,477     | 2,411,458     |
| 2,476,330     | 2,476,330     |
| 649,017       | 631,488       |
| 2,462,658     | 2,228,770     |
| 59,000        | —             |
| \$ 41,571,815 | \$ 20,179,739 |
| \$ 9,859,544  | \$ 8,670,544  |
| \$440,870,561 | \$374,590,037 |

*The accompanying notes are an integral part of the financial statements.*



# STATEMENT OF INCOME

For the years ended December 31, 1966 and 1965

|  | 1966          | 1965          |
|--|---------------|---------------|
| <b>OPERATING REVENUES</b>  |               |               |
| Local service.....   | \$ 59,278,966 | \$ 53,906,008 |
| Toll service.....  | 50,746,437    | 43,561,067    |
| Miscellaneous.....   | 3,287,241     | 2,858,452     |
| Less: Uncollectible operating revenues.....                                  | 785,881       | 625,014       |
| Total Operating Revenues.....  | \$112,526,763 | \$ 99,700,513 |
| <b>OPERATING EXPENSES</b>  |               |               |
| Maintenance.....   | \$ 22,134,940 | \$ 18,898,034 |
| Depreciation.....  | 22,944,866    | 21,345,168    |
| Traffic.....   | 8,709,151     | 6,710,104     |
| Commercial.....  | 6,083,607     | 5,220,670     |
| General and administrative (Note 5).....                                     | 11,632,061    | 9,764,709     |
| Provincial, municipal and other taxes.....                                   | 3,934,403     | 3,217,764     |
| Taxes on income.....   | 13,361,423    | 12,513,248    |
| Total Operating Expenses.....  | \$ 88,800,451 | \$ 77,669,697 |
| <b>NET OPERATING INCOME</b> .....  | \$ 23,726,312 | \$ 22,030,816 |
| Other Income.....  | 458,714       | 104,671       |
|  | \$ 24,185,026 | \$ 22,135,487 |
| <b>INTEREST AND OTHER DEDUCTIONS</b>   |               |               |
| Interest on long term debt.....  | \$ 8,453,279  | \$ 8,042,500  |
| Other interest.....  | 696,834       | 198,311       |
| Amortization of discount, premium and expense<br>on long term debt, net..... | 199,595       | 190,561       |
|  | \$ 9,349,708  | \$ 8,431,372  |
| <b>NET INCOME</b> .....  | \$ 14,835,318 | \$ 13,704,115 |
| <b>DIVIDENDS (Note 6)</b>  |               |               |
| Preference and preferred shares.....   | \$ 3,691,000  | \$ 3,824,000  |
| Ordinary shares.....   | 6,214,320     | 5,696,460     |
|  | \$ 9,905,320  | \$ 9,520,460  |
| <b>NET INCOME AFTER DIVIDENDS,</b><br>transferred to retained earnings.....  | \$ 4,929,998  | \$ 4,183,655  |

The accompanying notes are an integral part of the financial statements.



# BRITISH COLUMBIA TELEPHONE COMPANY

## STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

For the years ended December 31, 1966 and 1965

BALANCE AT BEGINNING OF YEAR.....  
Net income after dividends .....

Share issue expenses .....  
Premium (and tax thereon) on redemption of preferred shares.....

BALANCE AT END OF YEAR.....

| 1966                       | 1965                       |
|----------------------------|----------------------------|
| \$ 17,535,614<br>4,929,998 | \$ 14,716,073<br>4,183,655 |
| \$ 22,465,612              | \$ 18,899,728              |
| \$ 650<br>—                | \$ 644,114<br>720,000      |
| \$ 650                     | \$ 1,364,114               |
| \$ 22,464,962              | \$ 17,535,614              |

## SOURCE AND APPLICATION OF FUNDS

For the years ended December 31, 1966 and 1965

### SOURCE OF FUNDS

Net income for the year. ....  
Add — Non-cash charges to income for depreciation  
and amortization.....

Proceeds from issue and sale of securities  
Preferred shares.....  
Ordinary shares.....  
Long term debt .....

### APPLICATION OF FUNDS

Gross plant additions.....  
Less — Salvage value of plant retired.....

Investment in subsidiary.....  
Dividends.....  
Redemption of preferred shares.....  
Increase in non-current assets.....  
Increase in other deferred charges.....  
Net change in working capital.....

| 1966  | 1965   |
|---|--|
| \$ 14,835,318<br>23,580,401   | \$ 13,704,115<br>21,920,390  |
| \$ 38,415,719<br>—<br>—<br>29,002,681   | \$ 35,624,505<br>19,425,354<br>16,345,688<br>—                                   |
| \$ 67,418,400   | \$ 71,395,547  |
| \$ 60,681,708<br>1,096,972  | \$ 47,983,765<br>3,100,529   |
| \$ 59,584,736<br>12,751,190<br>9,905,320<br>—<br>909,730<br>2,291,493<br>(18,024,069) | \$ 44,883,236<br>—<br>9,520,460<br>12,720,000<br>582,062<br>464,788<br>3,225,001 |
| \$ 67,418,400   | \$ 71,395,547  |



# NOTES TO FINANCIAL STATEMENTS

## NOTE 1 — PRINCIPLES OF CONSOLIDATION

In December, 1966, the Company acquired 97.6% of the common shares of Okanagan Telephone Company then issued and outstanding at a cost of \$12,751,190, including expenses of acquisition. The Company's consolidated balance sheet incorporates the assets and liabilities of Okanagan Telephone Company as at November 30, 1966, and the excess of the cost of acquisition over the book value of net assets acquired is included in telephone plant. Earnings of this subsidiary subsequent to acquisition are not deemed to be significant and have not been incorporated in these financial statements. It is estimated that the income available for ordinary shares of this subsidiary for the year ended December 31, 1966 will be approximately \$550,000.

## NOTE 2 — PREFERENCE AND PREFERRED SHARES OUTSTANDING

|   | <i>Redemption<br/>Premium</i> | 1966          | 1965          |
|---|-------------------------------|---------------|---------------|
| Par value of \$100 each   |                               |               |               |
| 6 % Cumulative preference shares ..... 10%                          |                               | \$ 1,000,000  | \$ 1,000,000  |
| 6 % Cumulative preferred shares..... 5                              |                               | 4,500,000     | 4,500,000     |
| 4¾ % Cumulative redeemable preferred shares 5                       |                               | 7,500,000     | 7,500,000     |
| 4¾ % Cumulative redeemable preferred shares<br>(Series 1956)..... 4 |                               | 7,500,000     | 7,500,000     |
| 4½ % Cumulative redeemable preferred shares 4                       |                               | 5,000,000     | 5,000,000     |
| 4¾ % Cumulative redeemable preferred shares 4                       |                               | 6,000,000     | 6,000,000     |
| 5¾ % Cumulative redeemable preferred shares 4                       |                               | 10,000,000    | 10,000,000    |
| 5.15% Cumulative redeemable preferred shares 5                      |                               | 12,000,000    | 12,000,000    |
| Par value of \$25 each  |                               |               |               |
| 4.84% Cumulative redeemable preferred shares 4                      |                               | 20,000,000    | 20,000,000    |
|   |                               | \$ 73,500,000 | \$ 73,500,000 |

## NOTE 3 — INCOME TAXES DEFERRED

The Company has made provisions in prior years by charges against income in the net amount of \$8,670,544 for additional income taxes, payment of which has been deferred by claiming for tax purposes capital cost allowances in excess of depreciation provided in the accounts. With effect from January 1, 1958, the Company has restricted the amount of capital cost allowance claimed to the amount of depreciation recorded in its accounts. This caption also includes \$1,189,000 arising from consolidation of Okanagan Telephone Company.



# BRITISH COLUMBIA TELEPHONE COMPANY

## NOTE 4 — LONG TERM DEBT

### British Columbia Telephone Company

#### First Mortgage Bonds (1)

|  | 1966          | 1965          |
|--|---------------|---------------|
| Series A 3¾ % due March 1, 1971.....     | \$ 16,500,000 | \$ 16,500,000 |
| Series B 3½ % due March 1, 1971.....     | 3,000,000     | 3,000,000     |
| Series C 3¾ % due March 1, 1971.....     | 8,000,000     | 8,000,000     |
| Series D 4½ % due March 1, 1971.....     | 8,000,000     | 8,000,000     |
| Series E 4¾ % due October 1, 1975.....   | 7,000,000     | 7,000,000     |
| Series F 5 % due April 1, 1982.....      | 25,000,000    | 25,000,000    |
| Series G 5¼ % due November 1, 1983.....  | 20,000,000    | 20,000,000    |
| Series H 6 % due September 15, 1984..... | 15,000,000    | 15,000,000    |
| Series I 5¾ % due August 1, 1985.....    | 15,000,000    | 15,000,000    |
| Series J 5¾ % due July 15, 1986.....     | 20,000,000    | 20,000,000    |
| Series K 5½ % due April 15, 1988.....    | 20,000,000    | 20,000,000    |
| Series L 6¾ % due October 15, 1989.....  | 30,000,000    | —             |

\$187,500,000 \$157,500,000

### Okanagan Telephone Company

#### First Mortgage Sinking Fund Bonds

|  |            |
|--|------------|
| Series A 4 % due February 1, 1968..... | \$ 466,500 |
| Series B 4 % due February 1, 1968..... | 106,500    |
| Series C 5¼ % due July 1, 1970.....    | 512,500    |

#### General Mortgage Sinking Fund Bonds

|   |           |
|---|-----------|
| Series A 5 % due July 1, 1971.....      | 398,000   |
| Series B 5 % due July 1, 1975.....      | 424,500   |
| Series C 6 % due July 1, 1977.....      | 363,000   |
| Series D 5¾ % due July 1, 1978.....     | 686,000   |
| Series E 6½ % due December 1, 1979..... | 495,500   |
| Series F 6½ % due July 1, 1980.....     | 972,000   |
| Series G 5¾ % due July 1, 1984.....     | 1,649,000 |
| Series H 6¼ % due July 1, 1986.....     | 2,250,000 |

Less — Sinking fund payments due within one year.....

8,323,500  
145,000

\$ 8,178,500

\$195,678,500 \$157,500,000

- (1) An annual sinking fund payment of 1% of the principal amount of the First Mortgage Bonds outstanding is required by the terms of the Deed of Trust and Mortgage securing these bonds. Each year the Company has recovered such payments by exercising its option to be repaid moneys deposited in the sinking fund up to 66⅔% of its investment in additional property as provided for by the terms of the aforementioned Deed.

## NOTE 5 — GENERAL AND ADMINISTRATIVE EXPENSE

|   | 1966          | 1965         |
|---|---------------|--------------|
| Accounting.....                                     | \$ 3,342,583  | \$ 2,878,416 |
| Engineering.....                                    | 2,456,236     | 1,217,896    |
| Executive and staff.....                            | 1,412,683     | 1,191,764    |
| Directors' remuneration as director or officer..... | 101,000       | 157,000      |
| Relief and pensions.....                            | 2,660,484     | 2,667,815    |
| Stationery, rents, insurance and other.....         | 2,927,914     | 2,472,744    |
| Less: Charged to construction.....                  | 1,268,839     | 820,926      |
|   | \$ 11,632,061 | \$ 9,764,709 |

The Company's pension liability for past service of all employees who were not eligible to retire was actuarily determined to be approximately \$22,000,000 as at December 31, 1964. Commencing January 1, 1965, the Company has accrued and funded the annual pension entitlement of all employees for current service and in addition has provided \$1,385,000 per annum which, it is estimated, will amortize the liability for past service, together with interest thereon, over twenty-five years. The unamortized pension liability is estimated to be \$20,992,400 at December 31, 1966.

The Okanagan Telephone Company determined actuarily that as at December 31, 1964 it had no pension liability for past service of employees and has provided annually since that date for the pension entitlement of employees for current service.

## NOTE 6 — DIVIDENDS ON PREFERENCE, PREFERRED AND ORDINARY SHARES

|  | 1966         | 1965         |
|--|--------------|--------------|
| 6 % Cumulative preference shares.....                          | \$ 60,000    | \$ 60,000    |
| 6 % Cumulative preferred shares.....                           | 270,000      | 270,000      |
| 4¾ % Cumulative redeemable preferred shares.....               | 356,250      | 356,250      |
| 4¾ % Cumulative redeemable preferred shares (Series 1956)..... | 356,250      | 356,250      |
| 4½ % Cumulative redeemable preferred shares.....               | 225,000      | 225,000      |
| 4¾ % Cumulative redeemable preferred shares.....               | 262,500      | 262,500      |
| 5¾ % Cumulative redeemable preferred shares.....               | 575,000      | 575,000      |
| 6¼ % Cumulative redeemable preferred shares.....               | —            | 375,000      |
| 5.15% Cumulative redeemable preferred shares.....              | 618,000      | 618,000      |
| 4.84% Cumulative redeemable preferred shares.....              | 968,000      | 726,000      |
|  | \$ 3,691,000 | \$ 3,824,000 |
| Ordinary shares.....   | 6,214,320    | 5,696,460    |
|  | \$ 9,905,320 | \$ 9,520,460 |



RIDDELL, STEAD, GRAHAM & HUTCHISON  
CHARTERED ACCOUNTANTS

BANK OF CANADA BUILDING  
VANCOUVER 1, B.C.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the accompanying consolidated balance sheet of British Columbia Telephone Company and its subsidiary, Okanagan Telephone Company as at December 31, 1966 and the statements of income, earnings retained for use in the business and source and application of funds of British Columbia Telephone Company for the year then ended. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the consolidated financial position of the companies as at December 31, 1966 and the results of British Columbia Telephone Company's operations and its source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Riddell Stead Graham & Hutchison*

January 30, 1967.

## TEN-YEAR RECORD OF PROGRESS

| PARTICULARS   | 1966          | 1965          | 1964          |
|---|---------------|---------------|---------------|
| SELECTED INCOME ACCOUNT ITEMS                                 |               |               |               |
| 1 Total operating revenues                                    | \$112,526,763 | \$ 99,700,513 | \$ 87,474,632 |
| 2 Local service   | 59,278,966    | 53,906,008    | 49,291,594    |
| 3 Toll service  | 50,746,437    | 43,561,067    | 35,987,120    |
| 4 Operating expenses — salaries and wages                     | 32,472,398    | 26,339,263    | 23,044,552    |
| 5 Operating expenses — all other                              | 16,087,361    | 14,254,254    | 12,670,992    |
| 6 Depreciation  | 22,944,866    | 21,345,168    | 18,534,784    |
| 7 Provincial, municipal and other taxes                       | 3,934,403     | 3,217,764     | 2,834,955     |
| 8 Taxes on income   | 13,361,423    | 12,513,248    | 10,664,107    |
| 9 Interest and other deductions                               | 9,349,708     | 8,431,372     | 8,026,309     |
| 10 Net income available for dividends                         | 14,835,318    | 13,704,115    | 11,928,655    |
| 11 Dividends on preference and preferred shares               | 3,691,000     | 3,824,000     | 3,473,000     |
| 12 Dividends on ordinary shares                               | \$ 6,214,320  | \$ 5,696,460  | \$ 5,523,840  |
| SELECTED BALANCE SHEET ITEMS                                  |               |               |               |
| 13 Investment in telephone plant                              | \$480,762,018 | \$429,966,904 | \$393,360,679 |
| 14 Depreciation reserve                                       | 97,663,919    | 83,072,085    | 69,619,268    |
| 15 Net plant investment per telephone                         | 503           | 489           | 489           |
| 16 First mortgage bonds                                       | 187,500,000   | 157,500,000   | 157,500,000   |
| 17 Fifteen-year 4% notes                                      | —             | —             | —             |
| 18 Bank demand notes payable                                  | 18,300,000    | —             | 2,500,000     |
| 19 Preference and preferred shares                            | 73,500,000    | 73,500,000    | 65,500,000    |
| 20 Ordinary shares, premium and retained earnings             | 119,669,102   | 114,739,754   | 95,505,057    |
| 21 Total capitalization (including bank demand notes payable) | \$380,669,102 | \$345,739,754 | \$321,005,057 |
| SELECTED TELEPHONE STATISTICS                                 |               |               |               |
| 22 Company owned telephones                                   | 761,129       | 709,564       | 661,708       |
| 23 Per cent dial  | 98.7%         | 98.6%         | 98.3%         |
| 24 Per cent manual  | 1.3%          | 1.4%          | 1.7%          |
| 25 Central offices — dial                                     | 205           | 199           | 183           |
| 26 Central offices — manual                                   | 16            | 16            | 19            |
| 27 Average daily local calls                                  | 4,894,027     | 4,483,761     | 4,200,799     |
| 28 Average daily toll messages                                | 97,599        | 87,441        | 72,442        |
| 29 Miles of wire  | 2,942,671     | 2,692,967     | 2,427,131     |
| 30 Per cent in cable  | 97.7%         | 97.5%         | 97.1%         |
| 31 Total salaries and wages                                   | \$ 42,004,499 | \$ 35,568,260 | \$ 30,785,133 |
| 32 Number of employees  | 7,243         | 6,337         | 5,696         |
| 33 Number of shareholders                                     | 22,498        | 23,067        | 23,609        |



# BRITISH COLUMBIA TELEPHONE COMPANY

| 1963          | 1962          | 1961          | 1960          | 1959          | 1958          | 1957          |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 77,391,529 | \$ 71,635,207 | \$ 67,372,042 | \$ 58,842,714 | \$ 54,867,182 | \$ 44,876,593 | \$ 41,323,329 |
| 45,821,729    | 43,578,500    | 40,826,116    | 37,217,693    | 35,152,890    | 28,098,477    | 25,789,123    |
| 29,674,041    | 26,524,167    | 23,685,017    | 18,970,192    | 17,322,785    | 14,678,462    | 13,560,965    |
| 20,864,962    | 20,019,044    | 19,442,686    | 18,365,832    | 18,509,394    | 18,515,691    | 16,709,677    |
| 10,431,894    | 10,268,707    | 10,296,463    | 9,550,146     | 9,089,097     | 8,203,284     | 7,420,700     |
| 15,648,843    | 13,926,474    | 11,633,769    | 9,669,597     | 8,678,074     | 7,099,564     | 5,690,918     |
| 2,568,140     | 2,324,557     | 2,326,740     | 1,988,057     | 1,492,625     | 1,292,851     | 1,084,871     |
| 10,057,911    | 8,682,720     | 8,268,301     | 6,658,463     | 6,019,134     | 2,857,776     | 3,633,053     |
| 7,322,198     | 7,382,101     | 6,988,165     | 5,921,990     | 4,971,746     | 3,908,506     | 2,916,665     |
| 10,928,238    | 9,483,186     | 8,792,903     | 7,245,647     | 6,672,300     | 4,173,071     | 4,723,025     |
| 3,318,500     | 2,855,000     | 2,855,000     | 2,667,500     | 2,105,000     | 2,105,000     | 1,577,917     |
| \$ 5,293,680  | \$ 4,430,580  | \$ 4,068,900  | \$ 3,458,400  | \$ 3,075,000  | \$ 2,400,000  | \$ 2,400,000  |
| \$362,955,276 | \$335,865,487 | \$308,366,305 | \$265,129,882 | \$243,690,783 | \$217,951,682 | \$176,758,724 |
| 57,782,084    | 48,225,374    | 41,238,185    | 34,896,273    | 33,412,726    | 33,996,533    | 30,413,169    |
| 488           | 484           | 470           | 440           | 416           | 383           | 324           |
| 137,500,000   | 137,500,000   | 137,500,000   | 117,500,000   | 102,500,000   | 87,500,000    | 67,500,000    |
| —             | —             | 2,893,000     | 3,051,000     | 3,193,000     | 3,361,000     | 3,511,000     |
| 6,500,000     | 5,000,000     | —             | 6,500,000     | 8,500,000     | 8,000,000     | —             |
| 65,500,000    | 53,500,000    | 53,500,000    | 53,500,000    | 41,500,000    | 41,500,000    | 41,500,000    |
| 92,573,242    | 90,636,977    | 73,921,407    | 62,039,202    | 55,505,989    | 43,848,115    | 44,180,044    |
| \$302,073,242 | \$286,636,977 | \$267,814,407 | \$242,590,202 | \$211,198,989 | \$184,209,115 | \$156,691,044 |
| 625,103       | 594,292       | 568,022       | 522,780       | 505,432       | 480,707       | 452,157       |
| 97.7%         | 96.9%         | 90.4%         | 87.4%         | 79.4%         | 71.4%         | 67.1%         |
| 2.3%          | 3.1%          | 9.6%          | 12.6%         | 20.6%         | 28.6%         | 32.9%         |
| 159           | 140           | 106           | 78            | 63            | 54            | 45            |
| 26            | 37            | 59            | 55            | 65            | 71            | 79            |
| 3,896,393     | 3,735,403     | 3,565,308     | 3,246,610     | 3,129,904     | 2,929,155     | 2,700,964     |
| 65,725        | 63,274        | 56,828        | 50,706        | 48,273        | 47,362        | 44,613        |
| 2,273,990     | 2,172,023     | 2,090,825     | 1,864,691     | 1,760,014     | 1,414,934     | 1,254,122     |
| 96.9%         | 96.6%         | 96.5%         | 95.9%         | 95.9%         | 95.0%         | 94.8%         |
| \$ 27,875,720 | \$ 27,011,666 | \$ 25,828,367 | \$ 24,842,661 | \$ 25,219,406 | \$ 24,742,215 | \$ 21,525,011 |
| 5,423         | 5,330         | 5,511         | 5,646         | 6,205         | 6,878         | 7,130         |
| 24,722        | 23,993        | 23,788        | 23,461        | 20,458        | 20,500        | 20,323        |



On the job, installer-repairman Harvie Rourke sells telephone service. Off the job, he doubles as Captain Vancouver to sell tourism.



Employees turned out in record numbers for Red Cross blood donor clinics.



When public called at Island Division headquarters "Telephone Fair", employees were enthusiastic hosts and hostesses.



## OUR PEOPLE

Our B.C. Tel family grew to a record size in 1966 numbering 7,243 by year end, an increase of 906 over the previous year.

Their devotion to duty and their dedication to service for fellow British Columbians are evident not only in our Company's results but also in their community endeavours throughout the entire province.

Their generous financial support for community service groups continued as demonstrated by the all-time high of \$64,422 pledged to the Telephone Employees' Community Fund of Greater Vancouver. Records were set in blood donor participation, bringing from the Red Cross a special certificate of merit recognizing our employees for their "years of collaboration in mutual humanitarian tasks."

Our employees were elected to civic office in several locations and continued to enhance their outstanding reputation for voluntary service in organizations of all kinds throughout the province.

First aid awards were won by employee groups in several areas and our North Shore District men and women reached the second highest plateau in the B.C. Safety Council's occupational achievement awards program when they completed more than 4½ years without a lost-time accident on the job.

Barbara Kelly, rate clerk who became Miss Canada, got warm welcome on return to Vancouver. Dark-haired miss in center is Barbara.







## OUR CENTENNIAL PROJECT

### The B.C. Tel Porpoise Pool

In 1966, British Columbia celebrated the 100th anniversary of the joining of Vancouver Island and the Mainland into what now is the Province of British Columbia. In 1967, Canada celebrates the 100th anniversary of its birth as a nation.

The B.C. Telephone Company chose to mark these occasions with a special centennial gift to all British Columbians, a gift which everyone in the province will have opportunity to enjoy at their own convenience in the century ahead.

That gift is the B.C. Tel Porpoise Pool in the Vancouver Public Aquarium in Stanley Park, where "Splasher", the pool's first occupant, is seen above performing for Company President J. Ernest Richardson, who declared the pool officially opened on December 28, 1966.

The Company has made this contribution as a lasting reminder of our centennials in the belief that it is not only a valuable addition to education and tourism, but also an enjoyable asset in the province we serve.



## DIRECTORS

Harry M. Boyce  
*Chairman*  
Yorkshire Financial  
Corporation Limited  
Vancouver, B.C.

Fred B. Brown  
*President*  
Vanwest Logging Co. Ltd.  
Vancouver, B.C.

James J. Clerkin, Jr.  
*Executive Vice-President—Telephone Operations*  
General Telephone & Electronics Corporation  
New York, N.Y.

Theodore S. Gary  
*Vice-Chairman*  
General Telephone &  
Electronics Corporation  
New York, N.Y.

Gilbert A. Kennedy  
*Retired*  
Formerly Vice-President—Finance,  
British Columbia Telephone Company  
Ganges, B.C.

Cyrus H. McLean  
*Chairman*  
British Columbia Telephone Company  
Vancouver, B.C.

John A. McMahon  
*President*  
Inland Natural Gas Co. Ltd.  
Vancouver, B.C.

Winfield S. Pipes  
*Retired*  
Formerly Executive Vice-President,  
British Columbia Telephone Company  
Vancouver, B.C.

Donald C. Power  
*Chairman*  
General Telephone &  
Electronics Corporation  
New York, N.Y.

J. Ernest Richardson  
*President and Chief Executive Officer*  
British Columbia Telephone Company  
Vancouver, B.C.

Col. The Hon. Clarence Wallace,  
C.B.E.  
*President*  
Burrard Dry Dock Company Limited  
Vancouver, B.C.

## OFFICERS

Cyrus H. McLean, *Chairman*

J. Ernest Richardson, *President and Chief Executive Officer*

Jack C. Carlile, *Vice-President—Finance*

Earl T. Squire, *Vice-President—Marketing*

Hector F. Urquhart, *Vice-President—Operations*

Douglas C. Watt, *Vice-President—Staff (Operations)*

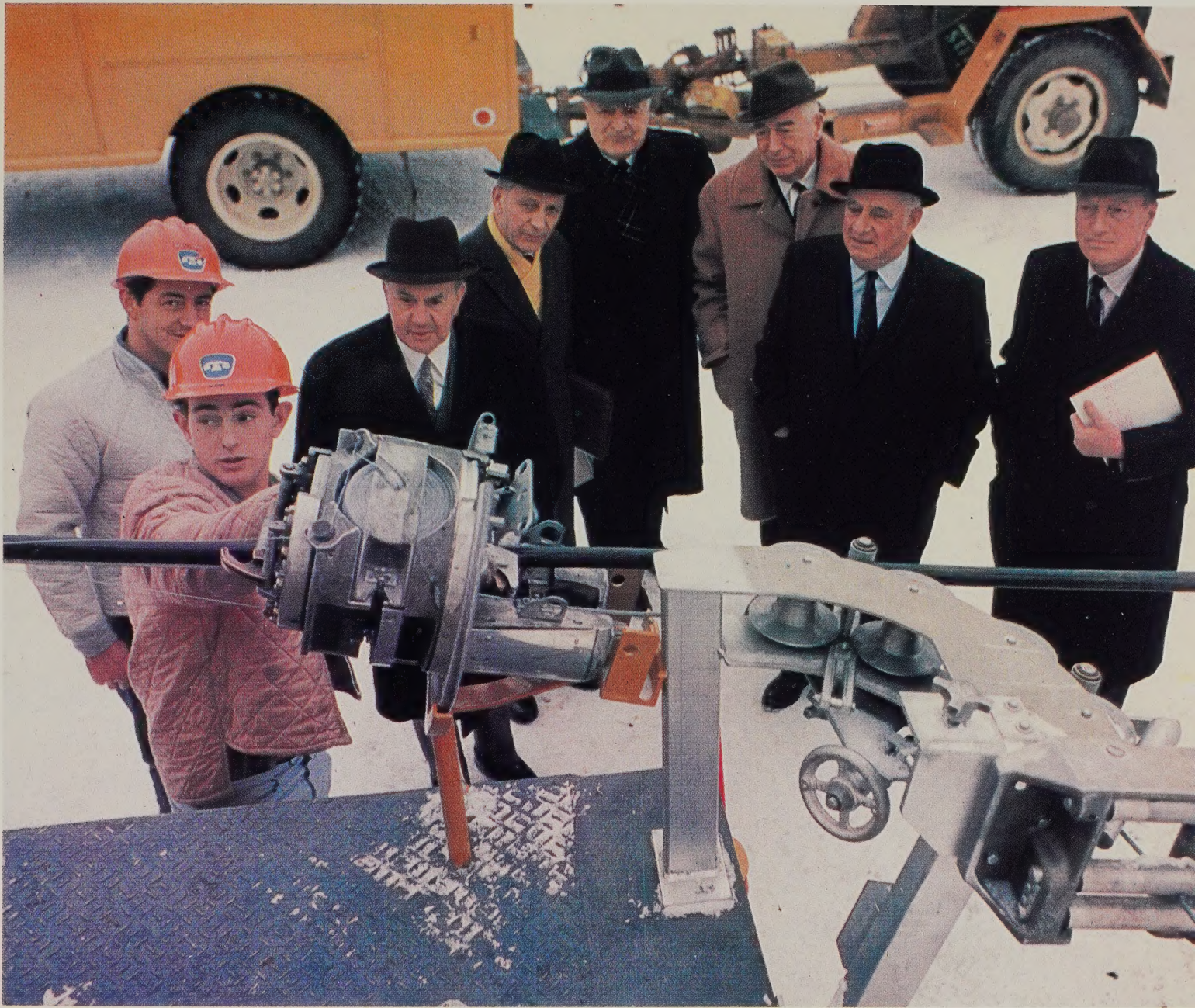
John Ross Evans, *Secretary and Treasurer*

\*Wilmar D. Stevens, *Comptroller*

George Wragg, *Assistant Secretary and Assistant Treasurer*

\*Deceased December 25, 1966





The Board of Directors met in Prince George while there for opening of new Northern Division headquarters building in November. They took opportunity to examine equipment. Showing cable spinner at left are employees Bruce Caswell and Wilf Dobec. Directors, from left to right, are John A. McMahon, J. Ernest Richardson, Cyrus H. McLean, Fred B. Brown, Col. The Hon. Clarence Wallace, C.B.E., and Harry M. Boyce.



**Great days  
to discover  
how little  
long distance  
costs**

**NEW YEAR'S**



**VALENTINE'S**



**EASTER**



**MOTHER'S DAY**



**FATHER'S DAY**



**THANKSGIVING**



**ANNIVERSARIES**



**TODAY**



BRITISH COLUMBIA TELEPHONE COMPANY 75th ANNUAL REPORT